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## **When building borders aims at increasing the efficiency of railways: the creation of the French track owner (mid-1990s – mid-2000s)**

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As a member of the European Union, France has been constrained to deeply reform its railway system, after the adoption of the famous directive 91/440, in 1991. This text imposed to build an accounting border between the activity of transport and the management of the infrastructure and opened the way to various national solutions adopted by the members.

The French reform was decided in 1997, after 2 years of social and political tensions. The historical national operator, the SNCF<sup>1</sup> lost its monopoly in the field of railways with the creation of RFF<sup>2</sup>, a public agency which became the owner of the rail track and was also given the colossal railway debt of about €<sub>2012</sub> 26 billions. By the way, France decided to go further than the requirement of the European directive and adopted an odd structure for the sector of railways. However, despite the creation of this new agency, the border with the historical operator is not so tight. The main factor of porosity has been inscribed in the law itself: the SNCF has been given a monopoly on the maintenance of the existing network, under the responsibility of RFF.

This paper proposes to discuss the nature of the border that has been then implemented between the SNCF and RFF and to understand the reasons behind the choices that were made in a very specific socio-political context. If on the European level, the long-term aim was to enable an open access to new railway operators in order to reduce costs and prices, this idea was not so clear in the national context, where the problem of the debt was much more important and the right-wing government did not want to get involved in a new strike after a very long conflict in November-December 1995.

The border reflects these various factors. It is first a financial separation, between both structures but also between the world of railways and the budget of the French State, constrained, at that time, to rigorous criterion imposed by the Maastricht treaty.

Of course it is also a physical border mainly between the infrastructure and the stations which have been kept by the SNCF. These physical aspects of the new border were not the easiest to define and were only solved about 10 years after the reform. The slowness of the process produced a new kind of no-man's lands, a typical figure of border problems: unused rail lands had to wait for a clarification before they could be reused for other urban purposes.

The border is also a cultural one. Since the reform, the SNCF has been engaged into a movement of deep change. The former values of technical leadership and public utility have been progressively combined with new values, such as commercial attitude and on-line modernity. For its part, RFF has tried to build a new culture besides the old culture of railway workers, based on the diversity of its increasing staff composed of civil servants, railway workers and private sector employees.

Finally, this border has also a temporal dimension. One of the main points was to change lots of practices in the world of railway, particularly on the profitability of investments and the national management of local transport services.

This paper is based on oral archives already collected and new investigations on the specific problem of

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1 Société nationale des chemins de fer français.

2 Réseau ferré de France.

the ownership sharing between the SNCF and RFF<sup>3</sup>.

## 1 The 1997 reform of French railways

### 1.1 A traumatic situation for French railways

In 1995, France lived one of the most important strikes of the XX<sup>th</sup> century. The right-wing government, led by Prime Minister Alain Juppé, under the rule of recently elected President Jacques Chirac, proposed a controverted reform of pensions. After decades of growth, the ageing of baby-boomers imposed to revise the social system organized after World War II. But the propositions made by the government faced a hard opposition of the main left-wings trade unions, particularly the idea of increasing the working period from 37.5 years to 40 years for civil servants and employees enjoying a special pension regime, such as railway workers. They quickly became the main icons of the demonstrations and strikes that blocked the country in November-December 1995.

This specific situation can be explained by the tensions that were already to observe between the State and the monopolistic railway company, the SNCF. Negotiations on a planning document for the 1996-2000 period were hard, with the perspective of cost reductions and possible line closures. Rumours about these projects were published by various newspapers and quickly denounced by opponents.

The solidarity that seemed to support the strike despite its major impacts on the French economy and the daily life led the government to reduce its ambitions and eventually to renounce to the planning document. The president of the SNCF was constrained to resign. Trade unions could enjoy a major victory, despite their rivalry and the differences between their positions.

The most surprising point is that this traumatic situation led, two years after, to the major reform of French railways after that of 1937, which had given birth to the SNCF. The convergence of various reasons behind the highly visible 1995 strike explains this quick change.

### 1.2 A convergence of reasons behind a reform

First, after the strike, the new president of the SNCF, Loïk Le Floch Prigent, deliberately impulsed a new dynamics in this old State-owned company, by shaking the old habits. He decided to revise the organization and to renew the staff, with a specific focus on customers, incomes and profitability, which were new concepts in such a company. On the internal point of view he opened new paths for social dialogue between the management and the employees. Le Floch Prigent was eventually constrained to resign after only 6 months, because of his involvement in a financial scandal, when he was head of the oil company Elf-Aquitaine. But his successor, Louis Gallois, followed the main lines of his policy.

Le Floch Prigent had understood that the 1995 strike revealed a disease of the company. Beside the problems of social dialogue and the fall of traffic due to the economic crisis of the 1990s, the main difficulty faced by the SNCF was its increasing debt. The historical railway debt had been recently increased by the high-speed train program decided by the State and realized and operated by the company. New high-speed lines had been expensive and public authorities had mainly let the SNCF pay for their building and operation, whereas the decision processes were more complex. Last point, the maintenance of the network was underestimated by the State so that the SNCF registered a deficit on

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<sup>3</sup> This paper is an English working version with a new perspective of a French paper: Passalacqua (A.), "La réforme ferroviaire française de 1997 : une histoire à rebondissements pour un scénario original", *Revue d'histoire des chemins de fer*, forthcoming. Precise references are given in the original version. For any question, please send an e-mail to [arnaud.passalacqua@m4x.org](mailto:arnaud.passalacqua@m4x.org).

this central activity. For the suburban transport, the company was also in doubt because of the unexpectedly high cost of the Eole project, a new regional train under Paris. The railway debt was about 46 billion €<sub>2012</sub>, with 41 billion €<sub>2012</sub> directly inscribed in the balance of the SNCF.

The faith in high-speed had probably to be rethought because of this economic failure. 20 years of railway development were to revise and what had been considered a major success of the French railways appeared as a drawback of the system. The only positive dynamics in the mid-1990s was the development of regional trains outside the Paris area : regional authorities appeared as potential financial partners in this activity of the company.

Two external constraints were also taken into consideration by actors. First the 91/440 directive of the European Union. This important text imposed to distinguish the accounting of the railway operation and the accounting of the network operation within every national frame. The historical railway operators had to reorganize themselves in order to be conformed to this prescription. Different solutions were invented by countries, but in the middle of the 1990s, only half of the State-members had done such a reform. For instance, Germany had chosen to create a holding, DB AG, with the two activities, the operation for the different DB subsidiaries and the network management for DB Netz. By the way, the German State had taken the burden of the German railway debt, a transfer which was allowed by the 91/440 directive. France had not engaged in such a process yet but was expected to do so by the authorities in Brussels.

The other external constraint was due to the implications of the Maastricht treaty of 1992: in order to be integrated to the project of common currency, every State-member had to follow rigorous economic criterion on its national budget. The national debt could not exceed 60% of the gross national product. France was exactly around this limit and the national debt was then a critical point in the national policy. The French State could not take the railway debt on its own budget.

### 1.3 A reform despite the government and then applied by its opponents

Before explaining what has been the reform itself, a focus has to be made on the actors themselves. It is striking to consider that the most important reform of French railways of the second half of the XX<sup>th</sup> century has been done more or less against all implied actors. First, the Prime Minister did not want to have any problems with the world of railways, after the traumatic strike of 1995. He did not want to be implied in any railway considerations any more. The Minister of Planning, Transport, Housing and Tourism, Bernard Pons, was an old-school *gaulliste*, likely to consider Brussels as a threat to the national independence. A friend of Chirac, he was not looking for a big reform in order to guarantee his political career. For the transport affairs, he had decided to let Anne-Marie Idrac, his Secretary of State, work alone. With a strong technical background in town planning and transport policy and being new in the political landscape, Idrac was the only member of the government likely to be interested in the field of railways.

The political opposition was composed of various forces, after the historical defeats of the socialist party in 1993 and 1995. On the field of transport and after the 1995 strike, the communist party was particularly active and enjoyed a high visibility, with the figure of an ex-railway worker, Jean-Claude Gayssot, representative of a Parisian working-class suburb. The proximity with the CGT<sup>4</sup>, the important left-wing trade union, explained that Gayssot could enjoy a self-confidence in railway matters, thanks to the victory obtained mainly by the CGT over the government during the 1995 conflict. During the discussion of the reform project, Gayssot was the main opponent with a strong discourse.

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4 Confédération générale du travail.

The surprise came when Chirac decided to change the assembly of representatives and when the left-wing coalition won the election, with Gayssot as new Minister of Planning, Transport and Housing. Being in charge of the sector of railways and after 18 months of opposition to the reform that the previous government had nearly not really implemented before the elections, Gayssot seemed to be able to go back to the old system. But, another surprise was that his political line was eventually to lightly adapt the reform by keeping its main principles: he let the reform find its place in the sector of railways, in apparent contradiction to his previous discourses.

Despite the wind of change produced by Le Floch Prigent, few of the SNCF managers were in favour of a reform that seemed to reduce the fields of action of the company, by giving the network to a new authority, and to prepare the opening of railway markets to new operators, whereas the SNCF was not perceived as a competitive company.

In this context, only few people were strong support of a reform. Mainly Claude Martinand, a State engineer with a left-wing political background. After the 1995 strike, in order to reflect on the long-term future of railways, Martinand was asked by the government to write a report, that finally gave birth to a draft law. Himself and the few people around him were sufficiently persuasive in order to convince Idrac and her staff to begin a reform of railways. And then Pons, that is to say Chirac. The reform was finally adopted in February 1997. The new State agency RFF was created with a double burden: the major part of the railway debt and the railway network. By the way, the reform mainly consisted in building borders.

## 2 Building borders in a unified world

### 2.1 A border for the French State

On the financial question, the reform was conceived as a border between the world of railways and the French State. Things had historically been really confused on that point. The first century of railways had been dominated by private companies operating lines built within a national frame adopted in 1842. In a context of economic crisis, a left-wing government decided of the nationalisation of railways with the creation of the SNCF in 1937. Since then, railways had been a public concern. The SNCF had developed a specific relationship with the State, particularly on financial questions. The State gave a yearly contribution to the budget of the operator and could guide the investments, but let the SNCF manage the railway debt. Since 1937, a long-established process of imbrications had developed.

The 1997 reform had the ambition to change the rules, by defining new borders. The first one distinguishes the State and the world of railways: by transferring the debt to a new agency, RFF, the State did not take it itself. By the way, the criterion imposed by Maastricht could be respected, even if this agency is a public one. To do so, the rule imposed that RFF had to find 50% of its resources out of the State subventions. Conceived as a mainly independent entity, RFF was not really the State any more. That is why the reform created a railway toll system: operators would pay in order to use the network held by RFF. And the monopolistic – at that time – SNCF would finance the resources of RFF. The fact that the State owned 100 % of the SNCF and that, finally, public entities paid to others in order to comply with the Maastricht obligations did not appear as a patch-up job but was considered a good preparation for the opening of successive railway markets, due to happen within the next years. A first border is here clearly to notice.

Another one implied the State: the reform imposed to RFF to guarantee any investment with a minimal profitability. Whereas the previous investments made by the SNCF under the rule of the State,

particularly in high-speed lines, were hardly profitable, and that the State had finally to face the financial problem, the 1997 reform imposed a new border which intended to preserve the State from any new deficit linked to railway investments.

## 2.2 A porous border inscribed in law

Another problem of border was to define the link between RFF and the SNCF. A first point was a consequence of the idea of railway toll: the SNCF would have to pay an annual toll for using the network. But the system had to find another factor in order to preserve an equilibrium. The idea inscribed in the 1997 law was to keep the SNCF manage the maintenance of the railway network, even if the operator was not its owner any more. RFF would pay the historical operator in order to keep its own network in good condition. Almost for the existing network; for new lines, RFF would have the choice of the organization of maintenance. With such a system, the SNCF could be paid for that work and financial flows between RFF and SNCF could be more or less in equilibrium. In other words, the border defined by the law was very porous and both actors were still intrinsically linked.

## 2.3 A border between past and present

With the spatial borders addressed in the last part of the paper, the last important kind of border introduced by the reform is a temporal border. 1997 is conceived as the beginning of a new era, with new rules in the world of railways. By such a construction, the French State admitted that the previous situation was problematic and agreed to clear it, in the limits of its own possibility, imposed by Maastricht. The new system, based on the existence of a new agency in charge of the most important part of the debt, intended to be also a new birth for the historical operator. With deep changes in the management, the SNCF was also confronted to a new landscape, where the problem of the debt was replaced by the arrival of new competitors.

# 3 Questions of borders

## 3.1 Borders to promote mobility: an efficient paradox?

The creation of these various borders had various purposes but the most visible one was the compliance with the 91/440 directive of the European Union. Among the goals of the European Commission, the opening of railway markets to competition has progressively become the most important, with successive decisions concerning the different markets (international rail traffic, freight traffic, passengers traffic) during the 2000s years. The harmonization of driving licenses and the right of passengers and the definition of a global interoperability policy supported the creation of European railway markets with multiple operators, with more or less success.

In the French frame, the borders between RFF and the SNCF was supposed to be a guarantee of the equity between operators. RFF acted as a promoter of new operators, by selling them the best railway slots, particularly on the freight market. The border was more than a neutral line, it was also a political tool. Despite this configuration, the opening of the freight was eventually limited. In this competition, the SNCF also used its own weapons, such as the pressure that such an operator could apply on disseminated industrial customers. The general context of a decreasing market also explains the modest role played by new operators.

This example shows that the border between the SNCF and RFF must be seen as a highly sensitive zone. This is clearly confirmed when considering the spatial dimension of the border.

### 3.2 Ownership sharing after the reform : 10 years of tensions for sovereignty

Ownership sharing between both entity has been a major problem during the 10 first years of their cohabitation. The 1997 law and the following decrees had addressed the important question of the ownership of railway territories. The network itself has been given to RFF, as the new owner of the tracks. The question of stations, depots or housings was more complex. For instance, the SNCF did not want to loose its huge number of housings, an important tool for providing interesting conditions to the railway workers. The importance of stations was crucial for the historical operator, but also for the new agency, in a foreseeable context of opening to new operators.

The law decided that the SNCF should keep the stations and its housings, RFF being the owner of the platforms, except for those perpendicular to the tracks, and the accesses to the platforms. The depots were also kept by the SNCF, which was a major advantage in the competition to come.

These theoretical distinctions had to be analysed more precisely and that explains the difficulties of the operation of ownership sharing. First, the SNCF did not exactly know its own estate. Some ownership problems had not been solved since the merger of the previous private companies in 1937. Being its own insurance company, the SNCF had not a real pressure on that point. The poor knowledge of the estate was a first problem in the sharing. But, of course, the company knew most of its territories and buildings and managed to give to RFF the most problematic assets and to keep the most interesting ones. A national commission for ownership sharing was created in 1998 in order to prepare decisions on the thousands of cases discussed. Its work lasted till 2006 and the government finally imposed to RFF and the SNCF to find definitive agreements. The stakes were enhanced by the fact that an important part of the discussed estates were strategic surfaces in urban centres. Local authorities generally wanted to have new projects on these territories that were no more of use for the railway services, but the ownership problems delayed any operations. In a context of promotion of urban density, particularly around stations, this situation was unbearable for other actors. Borders had to be well defined.

### 3.3 Cultural borders: toward an increased porosity of the French world of railway

The last border addressed by the 1997 reform may be the most important in the long term: the cultural evolution of the world of railways. Whereas the reform has generally built new borders, on the cultural point of view, its effects will probably abolish an old established border between the world of railway and the rest of the world. The iconic figures of railwaymen working with steam engines and the very specific conditions of work generally applied by railway companies, combined with strong internal links due to the structure of network characterizing this industry, explain the historical coherence and even a feeling of self-sufficiency of this industry. In the French frame as in many others, the constitution of a national monopolistic operator strengthened this feeling. So that even the State, which was supposed to control the activity and the financial results of the company, was often not really able to access to the data: the weight of the SNCF contributed to the existence of a State within the State.

The 1997 reform has slightly changed the situation, by breaking the monopoly of the SNCF not on railway operation but in the world of railways. RFF, as a new railway agency, has built another pole, even if its staff is still about 1% of the staff of the SNCF. But, RFF has chosen to recruit people of different origins and not only railway workers. At the beginning of the agency, the staff was divided between three kind of workers: railway workers coming from the SNCF, civil servants and employees of private companies. Some of the railway workers had probably been sent by the SNCF in order to have a look at the new structure, but most of them decided to join RFF in order to make possible

projects that they could not achieve within the SNCF. Civil servants had generally a strong experience in the field of railways or transport, but found in RFF a way to have a new weight in the negotiations with the historical operator. And people coming from private companies were important for new activities organized by RFF, such as the management of the debt, which required specific knowledge in finance, and the management of real estate, with an important activity of selling and negotiations on urban projects.

As a result, the world of railway after the 1997 reform presents a renewed figure which is far more plural than it used to be and which leads to an increased porosity with other worlds, as those of finance or real estate development. It has to be noticed that the SNCF has evolved in a similar way with renewed relationships with customers or local authorities. If this movement had partially begun before 1997 – with the development of regional trains for instance – the reform has clearly strengthened this dynamics.

## Conclusion

As a result, the 1997 reform of French railway can be considered as a creation of many new borders, even if on the cultural aspects, the erasing of borders appears as its main effect. After 15 years, it has to be noticed that the world of railways has deeply changed. Whether railway service is better or not is a highly complex point, but the diversity of actors implied in railway management and projects has been increasing. First, with RFF and the railway regulation authority (ARAF<sup>5</sup>). Then with new operators, mainly on the freight market. Last with new kinds of contracts in the development of the network, such as the public-private partnership for the new Tours-Bordeaux high-speed line, which allows a private company to build and operate a national railway line, the first out of the public sphere since 1937. A sign of the long-term dynamics opened by the 1997 law.

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5 Autorité de régulation des activités ferroviaires.